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DEPARTMENT FOR EB/IFD/OIA AND L/CID

SIPDIS

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SUBJECT: 2007 REPORT ON INVESTMENT DISPUTES AND EXPROPRIATION

REF: STATE 55422

¶1. Below is the submission for the 2007 report on investment disputes and expropriation claims in Serbia. This cable contains additional information on property restitution cases reported to the Embassy since June 2006. There are developments on several of the cases and three new property restitution claims. All of the expropriation claims listed below are by U.S. persons who were not U.S. citizens when the claims arose.

¶2. Begin text:

SERBIA

The Embassy is aware of one claimant's two ongoing investment disputes and 30 claims of U.S. persons - who were not U.S. citizens when the claims arose - related to nationalized property that are outstanding against Serbia.

INVESTMENT DISPUTES

SERBIA

¶1.

a) Claimant A

b) 2004

c) On May 19, 2003, Claimant A, a U.S. travel and tourism company, purchased 70 percent of a Serbian tour operator through a privatization tender. In addition to the sale price, under the Share Purchase Agreement (SPA) Claimant took on responsibilities for future investments of USD 44.33 million and social support to workers and the community of USD 0.555 million. Claimant agreed to invest USD 660,000 by June 30, 2004 and was also obliged to increase its performance bond from USD 2.2 million to USD 9.7 million as a guarantee for year two investments by July 1, 2004, according to the SPA.

In mid May 2004, Claimant requested from the Agency for Privatization a modification of the SPA to decrease the investment obligation for the second year based on complications with securing financing, citing as justification bad press about a conflict with small shareholders and employees and a March 2004 announcement by the new Serbian government that a large number of past privatization deals (including the one involving Claimant) would be reviewed by the Anti-Corruption Council. The Agency denied Claimant's request to amend the SPA, and on August 6, 2004 cashed performance bonds in the amount of USD 2.2 million. In September 2004, Claimant announced a breach of its SPA with the Privatization Agency because of the Agency's action against the performance bonds.

On March 21, 2005, Claimant sent the Privatization Agency a contract termination notice. In April 2005, Claimant submitted the case to the International Court of Arbitration in Paris. On July 14,

2005, the Privatization Agency terminated the SPA with the Claimant due to failure to meet obligations. According to the Law on Privatization, when a buyer fails to meet contractual obligations, the offered property is transferred to the Share Fund and is prepared for privatization again.

On April 20, 2007 Cyprus-based Acciona Investments Limited became the new owner of the Putnik travel agency by acquiring the government's 70 percent stake for EUR 38 million on the Belgrade Stock Exchange.

On May 4, the International Court handed down a decision in favor of Claimant. He was awarded USD 12.685 million plus interest, which covers his USD 5.2 million purchase price, USD 1.6 million in partial return of investments, return of the excursion vessel "Sirona", USD 2.2 million for reimbursement of the first bank guarantee cashed by the privatization agency, and USD 82,500 for arbitration costs.

In light of the Court's decision, Claimant is now in discussions with the government about a possible settlement, although the government has said it will contest the arbitration decision in local courts.

Claimant A also has a second investment dispute with the Government of Serbia. Claimant purchased a second tourist agency on September 16, 2003 for USD 1.1 million with an investment obligation of USD 9 million and a social program to support workers worth USD 300,000. In February 2006, company workers staged protests in the city of Nis, site of the agency's hotel properties, calling for cancellation of Claimant's purchase agreement. That same month, the Privatization Agency extended the deadline for fulfillment of obligations under the SPA by another 90 days. The Agency annulled the contract on June 30, 2006, although Claimant contends that he made the necessary investments.

The claimant appealed to the International Court of Arbitration in Paris on April 28, 2006; hearings in the case are just beginning.

#### PROPERTY EXPROPRIATIONS

##### SERBIA

###### ¶2.

a) Claimant B

b) December 1958

c) All property is located in Belgrade. Building one: seven ground floor stores, nine one-bedroom apartments, four two-bedroom apartments, six studio apartments, and one separate room, with yard. Building two: building has been demolished, currently used as parking lot, former building consisted of seven ground floor stores, 11 one-room apartments, four one-bedroom apartments, six two-bedroom apartments, and one four-bedroom apartment. Building three: seven ground floor stores, three one-bedroom apartments, eight two-bedroom apartments, three three-bedroom apartments; Building four: three ground floor stores, one one-bedroom apartment, seven two-bedroom apartments, one three-bedroom apartment, three studio apartments; Building five: family home with yard.

All property was nationalized as a result of the Law on Nationalization in 1958.

By appealing to the Ministry of Finance and the Privatization Agency, the Claimant has been trying to prevent the sale of the property as a part of the Serbian government's privatization process. In response to attempts to include some of Claimant's properties in privatization auctions, the Embassy sent a diplomatic note to the Ministry of Foreign Affairs in 2003 asking the Ministry to work with other relevant government agencies to postpone any steps to offer the Claimant's properties for sale until a law on restitution is passed that provides a legal mechanism for adjudicating ownership claims. Our understanding is that the

claimant's property, currently used as a parking lot, was purchased by Hypo-Alpe-Adria Bank. Between 2002 and 2007 the Embassy sent a number of letters to local government officials, Hypo-Alpe-Adria Bank and the Serbian government in support of the Claimant's efforts to prevent the sale of his property and construction on the site. Despite Embassy intervention, Hypo-Alpe-Adria began construction on the claimed property. Claimant B filed a legal action before the Supreme Court of Serbia on January 4, 2007, along with an appeal to the same court for urgent adjudication of this case, filed on March 15, 2007. In support of his appeal, the Embassy sent a diplomatic note to the Ministry of Justice requesting the Ministry to ensure an expeditious resolution of the case in order to protect the undeveloped status of the property pending the passage of the restitution law.

Post does not have an estimated value of the property.

Claimant regularly provides updates to the Embassy on the status of the various claims. Latest information was received in April 2007.

#### ¶3.

- a) Claimant C
- b) 1945

c) The property consists of the following:  
Piece of land in the center of the spa resort "Divcibare", warranty deed 166/38, which was given to the spa by the authorities for use and occupancy. Real property in Belgrade, located at Mekenzijeva 87, consisting of four residential apartments, two commercial units. Real property at Boulevard Oslobođenja, consists of a two-story building with five one-bedroom, two two-bedroom apartments, and two commercial units, and another building with two apartments.

The property was nationalized while owned by the grandfather of Claimant.

Post does not have an estimated value of the property.

Last contact was in January 2005.

#### ¶4.

- a) Claimant D
- b) 1948

c) All property is located in Kolari, Smederevo, comprising an agricultural mill and 50 hectares of land.

The property was confiscated as a result of the law on nationalization of private industry.

Estimated value is USD 1,000,000.

Last contact was in September 2004.

#### ¶5.

- a) Claimant E
- b) 1959

c) Property consists of four-story building in Makedonska 11-13, a five-story building at the corner of Brace Jugovica 23 and Skadarska 2, and the building site in Lomina 10.

The property was confiscated as a result of the Law on Nationalization.

Estimated value is \$3,031,000.

Last contact was in May 2006.

¶6.

- a) Claimant F
- b) 1945
- c) All property is located in Belgrade; consists of several commercial units at Terazije 16.

The property was nationalized as a result of the Law on Nationalization.

Post does not have an estimated value of the property.

Last contact was in March 2006.

¶7.

- a) Claimant G
- b) 1945
- c) Property is located in Belgrade, on Terazije square, and in the Kolubara region.

Post does not have an estimated value of the property.

The property was nationalized as a result of the Law on Nationalization.

Claimaint regularly provides updates to the Embassy on the status of the various claims. Latest information was received on February 22, 2007.

¶8.

- a) Claimant H
- b) 1956
- c) Property is located in Belgrade, consists of one building at Svetogorska 6-8; the building includes a large garage and two small shops.

The property was confiscated as a result of the Law on Confiscation.

Post does not have an estimated value of the property.

Last contact was in April 2005.

¶9.

- a) Claimant I
- b) April 30, 1961
- c) Property is located in Belgrade, at Kralja Petra 6, building which includes a historical Belgrade restaurant.

The property was nationalized as a result of the Law on Nationalization.

Post does not have an estimated value of the property.

Last contact was in March 2006.

¶10.

- a) Claimant J
- b) 1961
- c) Property is located in Belgrade.

The property was nationalized as a result of the Law on Nationalization.

Post does not have an estimated value of the property.

Last contact was in April 2005.

¶11.

a) Claimant K

b) 1948

c) Property is located in Belgrade and the spa town of Vrnjacka Banja.

The property was nationalized as a result of the Law of Nationalization.

Post does not have an estimated value of the property.

Last contact was in September 2004.

¶12.

a) Claimant L

b) 1945

c) Property consists of a brewery located in Valjevo.

The property was confiscated as a result of the Law on Nationalization.

Post does not have an estimated value of the property.

Last contact was in August 2004.

¶13.

a) Claimant M

b) 1945

c) All property is located in Belgrade, except some agricultural properties (mostly vineyards) in Smederevo and Paracin. Hotel "Srpski kralj" was severely damaged by the German bombings of Belgrade in 1941 and subsequently nationalized and razed by the Communist authorities. The remaining vacant lot is located on Rajiceva Street; usage rights to most of the parcel were granted to a private foreign company which has begun preparations for construction while a smaller portion of the property is used intermittently as a coffee terrace.

The "Old Mill" Flour Milling Complex, encompassing half a dozen separate buildings in downtown Belgrade, was damaged by the German bombings in 1941, confiscated in 1945, plundered of all equipment and remained an empty shell for almost 50 years, used as an illicit warehouse. The Belgrade Savski Venac municipality sold the property to a private construction company which plans soon to begin construction on the property. The claimant has filed complaints with the municipality and with the Public Prosecutor's office, alleging numerous irregularities surrounding the sale of that claimed property. The Embassy has held numerous meetings and sent letters to appropriate public officials in support of the claimant.

Weifert Brewery, majority-owned, confiscated in 1945 and subsequently renamed "Beogradska Industrija Piva", still remains in a working condition. In spring 2007 the brewery was offered for sale via a privatization tender, and press reported that a foreign consortium won. Claimant is protesting the results of that tender. The Embassy has held numerous meetings and sent letters to appropriate public officials in support of the claimant.

Several large office and apartment buildings in the center of Belgrade.

Family house in Bircaninova 21.

All property was confiscated as a result of the Law on Confiscation in 1945.

Claimant has appealed to the Ministry of Finance, Ministry for Capital Investments, Privatization Agency, and the Supreme Court of Serbia as well as to local government authorities to prevent the sale of the nationalized property as a part of privatization process; Post does not have an estimated value of the property.

Claimant regularly provides updates to the Embassy on the status of the various claims. Latest information was received in June 2007.

¶14.

- a) Claimant N
- b) 1945
- c) Property, the Hotel "Excelsior", located in a favorable location in downtown Belgrade.

All property was confiscated as a result of the Law on Confiscation in 1945.

Claimant has appealed to the Ministry of Finance and Privatization Agency to prevent the sale of the nationalized property as a part of privatization process; Post does not have an estimated value of the property.

Last contact was in 2004.

¶15.

- a) Claimant O
- b) 1962
- c) Property is located in Belgrade.

All property was confiscated as a result of a political process against the Claimant. The property consisted of a house located at Janka Prmrla Vojka St. 6 in Belgrade, business space in Perlez (near Zrenjanin), money, car and gold.

Claimant has been trying to recover his property through several court proceedings for years. Claimant has filed a rehabilitation claim with the District Court in Novi Sad, which, if positively decided, will allow for expungement of the politically-motivated convictions.

Post does not have an estimated value of the property.

Last contact was in May of 2007.

¶16.

- a) Claimant P
- b) 1946
- c) Property is a building located at Maglajska 21, Belgrade.

All property was confiscated as a result of a political process against the father of the claimants, who was tried in absentia by the Special Military Court IV Yugoslav Army and sentenced to life imprisonment.

Claimants have been trying to recover the property through several court proceedings for several years.

Post does not have an estimated value of the property.

Last contact was in October 2005.

¶17.

- a) Claimant Q

b) 1950

c) Property is located in Knic, near Gornji Milanovac. It comprises a farm, on which a cold storage plant was built and is currently occupied by the food-processing factory "Takovo" from Gornji Milanovac.

The property was confiscated as a result of a political process against the grandfather of the Claimant, who was an active supporter of an anti-communist movement.

It is unknown whether the Claimant has tried to recover the property through the legal system of Serbia.

Post does not have an estimated value of the property.

Last contact was in October 2005.

¶18.

a) Claimant R

b) 1948

c) It is a printing and publishing house "Privredni pregleđ" (aka "Slobodan Jovic") located at Stojana Protica 52 Belgrade; and a separate building, consisting of five apartments, at Dubljanska 82, Belgrade.

The property was nationalized, from the parents of the Claimant, under the Law on Nationalization in 1948.

It is unknown whether the Claimant has tried to recover the property through the legal system of Serbia.

Post does not have an estimated value of the property.

Last contact was in February 2004.

¶19.

a) Claimant S

b) 1945

c) Property consists of a confiscated industrial property, "Ratko Pavlovic-Niteks" in Nis, Serbia.

The property was confiscated as a part of the Confiscation Law in 1945.

It is unknown whether the Claimant has tried to recover the property through the legal system of Serbia.

Post does not have an estimated value of the property.

Last contact was in May 2006.

¶20.

a) Claimant T

b) 1946

c) Land which is currently occupied by the Akcionarsko Drustvo (AD) "Sokolac" in Novi Becej, Serbia. We do not have information on how much land this entails.

The property was confiscated as a part of the Agricultural Reform in 1946.

The Claimant has tried to recover the property through the legal system of Serbia.

Post does not have an estimated value of the property.

Last contact was in March of 2005.

¶21.

a) Claimant U

b) 1946

c) Agricultural land, at the village of Pacir in Backa Topola, Serbia. We do not have information on how much land this entails.

The property was confiscated as a part of the Agricultural Reform in 1946.

It is unknown whether the Claimant has tried to recover the property through the legal system of Serbia.

Post does not have an estimated value of the property.

Last contact was in February 2005.

¶22.

a) Claimant V

b) 1945

c) Property is a confiscated family house located at Milosa Obrenovica 1, Bajna Basta, Serbia.

The property was confiscated from the father of the Claimant as a part of the Confiscation Law in 1945.

It is unknown whether the Claimant has tried to recover the property through the legal system of Serbia.

Post does not have an estimated value of the property.

Last contact was in February 2003.

¶23.

a) Claimant W

b) 1945

c) The property consists of two buildings. One of them currently encompasses the entire site where Slavija, Makenzijeva and Prote Mateje Streets meet; the area is used as a large open-air parking lot. The second building is a residential building on Brace Nedica 22, Belgrade.

The property was confiscated, from the father of the Claimant, who was proclaimed an "enemy of the state". As the Government of Serbia passed the Law on Rehabilitation in May 2006, the Claimant has filed a rehabilitation claim with the District Court in Belgrade.

Post does not have an estimated value of the property.

Claimant regularly provides updates to the Embassy on the status of the various claims. Latest information was received in April 2007.

¶24.

a) Claimant X

b) 1945

c) Property consists of three parcels in Knez Danilo Street with a building, and what was previously large brick factory in the area of Zvezdara in Belgrade.

The property was confiscated from the father of the Claimant.

The Claimant has registered the property as a restitution claim with the Republican Property Directorate in accordance with the Law on Registration.

Post does not have an estimated value of the property.

Last contact was in February 2006.

¶25.

a) Claimant Y

b) 1945

c) Property consists of a building containing office space in Maksima Gorkog Street 13, and land in Uzicka Street 14.

The property was confiscated from the father of the Claimant.

The Claimant has registered the property with the Republican Property Directorate in accordance with the Law on Registration.

Post does not have an estimated value of the property.

Last contact was in March 2006.

¶26.

a) Clamant Z

b) 1945-1958

c) Property consists of the following: entire building with several smaller buildings and land in Maksima Gorkog St. 93; building and land in Jovana Cvijica St. 84; buildings and land in Kajmakcalanska St. 2 and Zarka Zrenjanina St. 33; land in Vasina St. 16, various agricultural properties in the vicinity of Curug in Vojvodina.

The property was confiscated, from the father and grandfather of the Claimant.

The Claimant has registered the property with the Republican Property Directorate in accordance with the Law on Registration.

Post does not have an estimated value of the property.

Last contact was in April 2006.

¶27.

a) Clamant Z1

b) 1959

c) Property consists of a building containing an apartment and office space in Bulevar JNA 221.

The property was confiscated from the father of the Claimant.

The Claimant has registered the property with the Republican Property Directorate in accordance with the Law on Registration.

Post does not have an estimated value of the property.

Last contact was in November 2005.

¶28.

a) Claimant Z2

b) 1947

c) Property consists of a building and land, located in the most prestigious area in Belgrade on Uzicka Street in Dedinje.

The property was confiscated from the Claimant's mother, late Princess Olga Karadjordjevic.

The Claimant has registered the property with the Republican Property Directorate in accordance with the Law on Registration.

Post does not have an estimated value of the property.

Last contact was on October 4, 2006.

New cases

129.

a) Claimant Z3

b) 1946

c) Property consists of a house with land at Bulevar Mira 24, Belgrade. The property was confiscated, from the father of the Claimant, who was proclaimed an "enemy of the state".

The Claimant has registered the property with the Republican Property Directorate in accordance with the Law on Registration.

Post does not have an estimated value of the property.

Last contact was in October 2006.

130.

a) Claimant Z4

b) 1958

c) Property consists of a house with land, a pharmacy, and another two commercial spaces, at Bela Crkva. The property was confiscated from the Claimant's father.

Post does not have an estimated value of the property.

Last contact was in March 2007.

131.

a) Claimant Z5

b) 1977

c) Property consists of a house located in Cacak. The property was expropriated from the Claimant's mother. Claimant has appealed to the Ministry of Finance, and the Supreme Court of Serbia. Embassy has sent letters to appropriate public officials and had a meeting at the Ministry of Finance in support of the claimant.

Post does not have an estimated value of the property.

Last contact was in June 2007.

Claimant A: Uniworld Holdings

Claimant B: Marko Rakocevic and Janet Kostrevski

Claimant C: Ivan Vasic

Claimant D: Milica Markovic

Claimant E: Jelena Glisovic-Rasic

Claimant F: Aleksandar Djordjevic

Claimant G: Sofija Dimic-Ilic

Claimant H: Marija Stojadinovic-Shoup

Claimant I: Vladimir Pavlovic

Claimant J: Milica Skinner

Claimant K: Dimitrije Djordjevic and Jelena Markovic

Claimant L: Nikola Djurdjevic

Claimant M: Bogdan Veljkovic  
Claimant N: Mila Petkovich  
Claimant O: Lazar Dragan  
Claimant P: Stefanie Avsenek  
Claimant Q: Radmilo Djokic  
Claimant R: Boris Ivezic  
Claimant S: Zora Mikler  
Claimant T: Christian Sauska  
Claimant U: Stevan Geza Silbiger  
Claimant V: Milena Trickovic  
Claimant W: Olivera Carlson  
Claimant X: Zoran Cupic  
Claimant Y: Nikola Vulkovic  
Claimant Z: Sanja Popovic Spinelli  
Claimant Z1: Zoran Dordevic  
Claimant Z2: Princess Elizabeth Karageorgevich

New Claims:

Claimant Z3: Branka Borisavljevic, Verra Morgan, and Danka Schmidt  
(sisters)  
Claimant Z4: Dusan Pokorni  
Claimant Z5: Slobodan and Dusan Vucicevic (brothers)

POLT